

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Fruitport	County Muskegon
Audit Date 3/31/05	Opinion Date 8/16/05	Date Accountant Report Submitted to State: 9/26/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

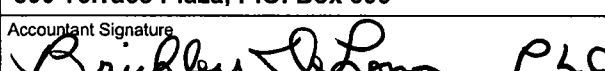
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Brickley DeLong, PLC			
Street Address 500 Terrace Plaza, P.O. Box 999	City Muskegon	State MI	ZIP 49443-0999
Accountant Signature 		Date 9/26/05	

Charter Township of Fruitport
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2005

Charter Township of Fruitport

TABLE OF CONTENTS

Management's Discussion and Analysis.....	i - ix
Independent Auditors' Report.....	1
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets.....	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet—Governmental Funds	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balances —Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	8
Statement of Net Assets—Proprietary Funds	9
Statement of Revenues, Expenses and Changes in Net Assets— Proprietary Funds	10
Statement of Cash Flows—Proprietary Funds	11
Statement of Fiduciary Net Assets—Fiduciary Funds	12
Notes to Financial Statements	13
Required Supplemental Information	
Budgetary Comparison Schedule—General Fund	29
Other Supplemental Information	
Statements of Other Governmental Funds	
Balance Sheet.....	31
Statement of Revenues, Expenditures and Changes in Fund Balances	32

As management of the Charter Township of Fruitport, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2005. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter. To those familiar with the prior year financial statements or just new to this document, it is important to know that the Township is presenting this analysis along with these statements in a new format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34).

FINANCIAL HIGHLIGHTS

Assets of the Township exceeded liabilities of \$7,436,262 at the close of the fiscal year by \$17,689,043 (net assets). Of this amount, \$7,437,379 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors.

Governmental activities had net assets totaling \$2,099,733 while business-type activities ended the year with \$15,589,310 in total net assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and cultural and recreational activities. The business-type activities of the Township include water distribution and sewer services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories- governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Charter Township of Fruitport maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered a major fund. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds. The Township has enterprise proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provided separate information for the Sewer and Water funds, both of which are major funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplemental information on budgetary information.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2005, the Township's net assets from governmental activities totaled \$2,099,733 (12%) and \$15,589,310 (88%) from business-type activities, creating a total government-wide net assets total of \$17,689,043. Since this is the first year the Township has prepared financial statements following GASB 34, comparisons to fiscal year 2004 are not available. However, these comparison schedules will be provided in future years.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental activities actually depict a fund balance of \$1,461,814. This represents the amount of discretionary resources that can be used for general governmental operations.

The business-type activities show a total of \$15,589,310 in net assets and \$5,975,565 in unrestricted net assets. The Sewer Fund and Water Fund unrestricted net assets are \$2,226,208 and \$3,749,557, respectively.

	Net Assets		
	Governmental Activities 2005	Business-type Activities 2005	Total
<u>Assets</u>			
Current assets and other assets	\$ 1,874,604	\$ 8,912,022	\$ 10,786,626
Capital assets	928,779	13,409,900	14,338,679
Total assets	2,803,383	22,321,922	25,125,305
<u>Liabilities</u>			
Current liabilities	135,517	516,326	651,843
Noncurrent liabilities	568,133	6,216,286	6,784,419
Total liabilities	703,650	6,732,612	7,436,262
<u>Net assets</u>			
Invested in capital assets, net of related debt	409,803	6,990,136	7,399,939
Restricted	409,721	2,623,609	3,033,330
Unrestricted	1,280,209	5,975,565	7,255,774
Total net assets	\$ 2,099,733	\$ 15,589,310	\$ 17,689,043

Charter Township of Fruitport

Management's Discussion and Analysis

Net assets of the Township's governmental activities increased by \$94,068 (5%) during the 2005 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

At the end of the fiscal year, the net assets for business-type activities increased \$1,369,841 or 10%. Two funds comprise the business-type activities. The Sewer Fund and Water Fund experienced an increase in net assets for the year of \$834,669 and \$535,172, respectively.

	Change in Net Assets		
	Governmental Activities 2005	Business-type Activities 2005	Total
Revenues:			
Program revenues			
Charges for services	\$ 251,844	\$ 1,294,483	\$ 1,546,327
Capital grants and contributions	90,046	1,690,583	1,780,629
General revenues			
Property taxes	1,126,851	-	1,126,851
Franchise fees	73,062	-	73,062
Grants and contributions not restricted	821,721	-	821,721
Unrestricted investment earnings	30,096	302,528	332,624
Miscellaneous	5,431	-	5,431
Total revenues	2,399,051	3,287,594	5,686,645
Expenses:			
General government	656,961	-	656,961
Public safety	1,283,751	-	1,283,751
Public works	222,449	-	222,449
Community and economic development	22,381	-	22,381
Culture and recreation	142,261	-	142,261
Interest on long-term debt	27,180	-	27,180
Sewer Fund	-	437,815	437,815
Water Fund	-	1,429,938	1,429,938
Total expenses	2,354,983	1,867,753	4,222,736
Change in net assets before transfers	44,068	1,419,841	1,463,909
Transfers	50,000	(50,000)	-
Change in net assets	94,068	1,369,841	1,463,909
Net assets – April 1, 2004	2,005,665	14,219,469	16,225,134
Net Assets – March 31, 2005	\$ 2,099,733	\$ 15,589,310	\$ 17,689,043

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2005 fiscal year, the governmental funds reported a combined fund balance of \$1,849,845. This number represents the fund balance of \$1,621,729 in the General Fund and \$228,116 in other governmental funds. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of \$59,374, pay for racetrack projects of \$181,605 and for permit expenditures of \$10,243.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year 2005, the unreserved General Fund fund balance was \$1,370,507 and the total General Fund fund balance was \$251,222. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 63% of the General Fund expenditures.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets of the Sewer Fund and Water Fund increased by \$834,669 and \$535,172, respectively. The result was an overall net increase in the proprietary funds of \$1,369,841.

General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget. General Fund revenues were increased for a Federal Emergency Management Agency (FEMA) grant. Increases in General Fund expenditures included the police department for higher than anticipated salaries for part-time officers, office staff and dispatch services than was originally under budgeted. The budgeted expenditures for the fire department were also increased for equipment purchased from the FEMA grant.

The following comments summarize the major variations from the final budget to actual revenues and expenditures. General Fund investment earnings were higher than budgeted because interest rates rose during the year. Police, roads, racetrack and capital outlay expenditures were all significantly lower than budgeted. Police department salaries and equipment expenditures were less than anticipated because we were unsure if the public safety millage would pass, so we were conservative with expenditures. Road expenditures were less than budgeted because the Mt. Garfield Road project was postponed until the 2005/2006 fiscal year. Racetrack expenditures were less than budgeted for because we had budgeted for the purchase of an automobile, but the purchase wasn't made during the 2005 fiscal year. Capital Outlay expenditures were less than budgeted because our intention was to begin work on a new township hall this year, but the plans have been postponed for a couple of years.

Capital Assets Administration

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2005 totaled \$14,338,679 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture, machinery, equipment, utility systems and vehicles.

Major governmental capital asset events during the current year included a new roof, new voting machines (donated by the State of Michigan), a new lawn mower, a scoreboard at Farr Park (donated), a new parking lot at Pine Park and a detective vehicle. Major business-type capital assets events during the current year included a sewer system expansion on Mt. Garfield Road, water system expansion on Mt. Garfield Road and Mill Iron Road and a new pick-up truck. Construction in progress also increased in the business-type activities due to major expansion of both the water and sewer systems. These projects will continue into fiscal 2006.

Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities 2005	Business-type Activities 2005	Total
Land	\$ 40,885	\$ -	\$ 40,885
Land improvements	14,667	-	14,667
Building and improvements	364,284	-	364,284
Utility systems	-	12,824,933	12,824,933
Furniture, machinery and equipment	97,401	56,568	153,969
Vehicles	411,542	-	411,542
Construction in progress	-	528,399	528,399
Total	<u>\$ 928,779</u>	<u>\$ 13,409,900</u>	<u>\$ 14,338,679</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

Long-Term Debt

At the end of the fiscal year, the Township had total outstanding debt of \$7,203,422 consisting of general obligations bonds, special assessment debt, installment purchase agreements, land contract agreements and compensated absences. The general obligation debt of \$5,264,289 and special assessment debt of \$1,270,000 is backed by the full-faith and credit of the Township.

Outstanding Debt			
	Governmental Activities 2005	Business-type Activities 2005	Total
Installment purchase agreements	\$ 281,640	\$ -	\$ 281,640
Land contract agreements	237,336	-	237,336
General obligation bonds	-	5,264,289	5,264,289
Special assessment debt	-	1,270,000	1,270,000
Compensated absences	150,157	-	150,157
Total	<u>\$ 669,133</u>	<u>\$ 6,534,289</u>	<u>\$ 7,203,422</u>

The Township's total debt decreased by \$306,280 during the fiscal year. This decrease was due to the normal debt payoffs as provided for in the fiscal year 2005 budget, offset by an increase in accumulated compensated absences and an increase in general obligation debt due to an amendment in the debt agreement between the Township and the County.

Additional information on the Township's long-term debt can be found in Note H of the notes to the financial statements, beginning on page 23.

General Economic Overview

The Township's General Fund has two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised over 80% of the General Fund revenue sources. In fiscal 2006, state revenue sharing is expected to be the same as last year. Property tax revenues are expected to increase by 3% due to continued commercial development and new subdivision development.

The Township is working on holding expenditures steady in the coming year. The most significant expense that we are trying to control is the cost of insurance. Insurance costs continue to rise and we are looking into employee participation, a change in plans, higher co-pays, or higher deductibles as means to control expenses. Wage expense is another significant expenditure that the Township is trying to hold as steady as possible.

The 2006 budget is virtually identical to the 2005 budget, except for the large increase in police revenue and expenditures. Starting December 1st the Township will begin collecting revenue on a special voted millage for police protection. The police department has also budgeted for the purchase of a new police car.

The Township Board and staff remain optimistic that the Township's economic stability will be further enhanced by several projects and other variables in various stages of maturity. These include continued development in the residential and commercial sectors and movement in Lansing to stabilize state revenue sharing. Water, sewer and road expansion and improvements are planned at the Lakes Mall next year. The Township has also received grants for water line expansions on Mill Iron Road and Brooks Road. The Township is also continuing to complete a water expansion loop and road improvements on Stringer, Farr and Brooks Roads.

Requests for Information

This financial report is designed to provide a general overview of the Charter Township of Fruitport's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Charter Township of Fruitport, 6543 Airline Road, Fruitport, Michigan, 49415, (231) 865-3151.

The 2006 budget is virtually identical to the 2005 budget, except for the large increase in police revenue and expenditures. Starting December 1st the Township will begin collecting revenue on a special voted millage for police protection. The police department has also budgeted for the purchase of a new police car.

The Township Board and staff remain optimistic that the Township's economic stability will be further enhanced by several projects and other variables in various stages of maturity. These include continued development in the residential and commercial sectors and movement in Lansing to stabilize state revenue sharing. Water, sewer and road expansion and improvements are planned at the Lakes Mall next year. The Township has also received grants for water line expansions on Mill Iron Road and Brooks Road. The Township is also continuing to complete a water expansion loop and road improvements on Stringer, Farr and Brooks Roads.

Requests for Information

This financial report is designed to provide a general overview of the Charter Township of Fruitport's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Charter Township of Fruitport, 6543 Airline Road, Fruitport, Michigan, 49415, (231) 865-3151.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

August 16, 2005

Township Board
Charter Township of Fruitport
Fruitport, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fruitport, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Fruitport, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fruitport, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of April 1, 2004.

The management's discussion and analysis and budgetary comparison information on pages i through ix and 29 are not a required part of the basic financial statement but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

BRICKLEY DELONG

Township Board
August 16, 2005
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Fruitport, Michigan's basic financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brickley DeLong, PLC

Charter Township of Fruitport
STATEMENT OF NET ASSETS
March 31, 2005

ASSETS

	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 1,520,010	\$ 2,794,323	\$ 4,314,333
Receivables	94,551	560,958	655,509
Internal balances	72,080	(72,080)	-
Due from other governmental units	122,925	-	122,925
Inventories	-	10,000	10,000
Prepaid items	61,196	5,014	66,210
Total current assets	1,870,762	3,298,215	5,168,977
NONCURRENT ASSETS			
Restricted assets	-	2,623,609	2,623,609
Capital assets, net			
Nondepreciable	40,885	528,399	569,284
Depreciable	887,894	12,881,501	13,769,395
Access rights, net	-	64,022	64,022
Bond issue costs, net	-	26,186	26,186
Special assessments receivable	3,842	2,899,990	2,903,832
Total noncurrent assets	932,621	19,023,707	19,956,328
Total assets	2,803,383	22,321,922	25,125,305

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable and accrued liabilities	20,917	39,890	60,807
Due to other governmental units	-	89,983	89,983
Bonds, capital leases and contracts, due within one year	71,000	267,500	338,500
Accrued interest, due within one year	13,600	118,953	132,553
Compensated absences, due within one year	30,000	-	30,000
Total current liabilities	135,517	516,326	651,843
NONCURRENT LIABILITIES			
Bonds, capital leases and contracts, less amounts due within one year	447,976	6,216,286	6,664,262
Compensated absences, less amounts due within one year	120,157	-	120,157
Total noncurrent liabilities	568,133	6,216,286	6,784,419
Total liabilities	703,650	6,732,612	7,436,262
NET ASSETS			
Invested in capital assets, net of related debt	409,803	6,990,136	7,399,939
Restricted for:			
Street lights	228,116	-	228,116
Racetrack projects	181,605	-	181,605
Debt service	-	2,623,609	2,623,609
Unrestricted	1,280,209	5,975,565	7,255,774
Total net assets	\$ 2,099,733	\$ 15,589,310	\$ 17,689,043

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
STATEMENT OF ACTIVITIES
For the year ended March 31, 2005

<i>Functions/Programs</i>	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
		Charges for services	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities						
General government	\$ 656,961	\$ 104,211	\$ 26,654	\$ (526,096)	\$ -	\$ (526,096)
Public safety	1,283,751	59,236	53,392	(1,171,123)	-	(1,171,123)
Public works	222,449	-	-	(222,449)	-	(222,449)
Community and economic development	22,381	26,499	-	4,118	-	4,118
Culture and recreation	142,261	61,898	10,000	(70,363)	-	(70,363)
Interest on long-term debt	27,180	-	-	(27,180)	-	(27,180)
Total governmental activities	2,354,983	251,844	90,046	(2,013,093)	-	(2,013,093)
Business-type activities						
Sewer	437,815	141,328	1,000,939	-	704,452	704,452
Water	1,429,938	1,153,155	689,644	-	412,861	412,861
Total business-type activities	1,867,753	1,294,483	1,690,583	-	1,117,313	1,117,313
Total government	<u>\$ 4,222,736</u>	<u>\$ 1,546,327</u>	<u>\$ 1,780,629</u>	(2,013,093)	1,117,313	(895,780)
General revenues						
Taxes						
Property taxes, levied for general purposes				464,284	-	464,284
Property taxes, levied for specific purposes				662,567	-	662,567
Franchise fees				73,062	-	73,062
Grants and contributions not restricted to specific programs				821,721	-	821,721
Unrestricted investment earnings				30,096	302,528	332,624
Miscellaneous				5,431	-	5,431
Transfers				50,000	(50,000)	-
Total general revenues and transfers				2,107,161	252,528	2,359,689
Change in net assets				94,068	1,369,841	1,463,909
Net assets at April 1, 2004				2,005,665	14,219,469	16,225,134
Net assets at March 31, 2005				<u>\$ 2,099,733</u>	<u>\$ 15,589,310</u>	<u>\$ 17,689,043</u>

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
BALANCE SHEET
Governmental Funds
March 31, 2005

	General Fund	Other governmental funds	Total governmental funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 1,304,750	\$ 215,260	\$ 1,520,010
Receivables			
Accounts	79	-	79
Special assessments	4,957	-	4,957
Property taxes	80,500	12,856	93,356
Due from other funds	73,902	-	73,902
Due from other governmental units	122,925	-	122,925
Prepaid items	59,374	1,822	61,196
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 1,646,487	\$ 229,938	\$ 1,876,425
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 86	\$ -	\$ 86
Accrued liabilities	20,830	-	20,830
Due to other funds	-	1,822	1,822
Deferred revenue	3,842	-	3,842
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	24,758	1,822	26,580
Fund balances			
Reserved for:			
Prepaid items	59,374	-	59,374
Racetrack projects	181,605	-	181,605
Permits	10,243	-	10,243
Unreserved			
General fund	1,370,507	-	1,370,507
Special revenue funds	-	228,116	228,116
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	1,621,729	228,116	1,849,845
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ 1,646,487	\$ 229,938	\$ 1,876,425
	<u> </u>	<u> </u>	<u> </u>

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS**
 March 31, 2005

Total fund balance—governmental funds		\$ 1,849,845
---------------------------------------	--	--------------

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 1,791,933	
Accumulated depreciation	<u>(863,154)</u>	928,779

Long-term liabilities in governmental activities are not due and payable in the
current period and are not reported in the governmental funds.

Bonds and contracts payable	(518,976)	
Compensated absences	<u>(150,157)</u>	(669,133)

Accrued interest in governmental activities is not reported in the governmental funds.	(13,600)
--	----------

Special assessment revenue is not recognized until it is receivable in the current
period and, therefore, is shown as deferred revenue in the governmental funds.

	<u>3,842</u>
--	--------------

Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>2,099,733</u></u>
--	----------------------------

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended March 31, 2005

	General Fund	Other governmental funds	Total governmental funds
REVENUES			
Property taxes	\$ 981,222	\$ 150,080	\$ 1,131,302
Licenses and permits	103,340	-	103,340
Intergovernmental revenues			
Federal	53,392	-	53,392
State	835,890	-	835,890
Charges for services	152,383	-	152,383
Fines and forfeitures	420	-	420
Investment earnings	28,643	1,453	30,096
Other	83,709	10,125	93,834
Total revenues	2,238,999	161,658	2,400,657
EXPENDITURES			
Current			
General government	622,742	-	622,742
Public safety	1,222,678	117,477	1,340,155
Public works	48,823	-	48,823
Community and economic development	22,378	-	22,378
Culture and recreation	41,547	95,449	136,996
Other governmental functions	59,699	-	59,699
Debt service			
Principal	72,861	-	72,861
Interest and fees	34,366	-	34,366
Capital outlay	42,404	32,684	75,088
Total expenditures	2,167,498	245,610	2,413,108
Excess of revenues over (under) expenditures	71,501	(83,952)	(12,451)
OTHER FINANCING SOURCES (USES)			
Transfers in	50,000	117,977	167,977
Transfers out	(117,977)	-	(117,977)
Total other financing sources (uses)	(67,977)	117,977	50,000
Net change in fund balances	3,524	34,025	37,549
Fund balances at April 1, 2004	1,618,205	194,091	1,812,296
Fund balances at March 31, 2005	\$ 1,621,729	\$ 228,116	\$ 1,849,845

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the year ended March 31, 2005

Net change in fund balances—total governmental funds	\$	37,549
--	----	--------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (83,385)	
Capital outlay	<u>75,088</u>	(8,297)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		72,861
---	--	--------

Accrued interest on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.		2,300
--	--	-------

Increases in the compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.		(8,739)
---	--	---------

Governmental funds recognize special assessments as revenue as they become current; however, they are recognized in full when levied in the statement of net assets.		<u>(1,606)</u>
--	--	----------------

Change in net assets of governmental activities	\$	<u><u>94,068</u></u>
---	----	----------------------

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
STATEMENT OF NET ASSETS
Proprietary Funds
March 31, 2005

ASSETS

		Enterprise Funds	
	Sewer	Water	Total
CURRENT ASSETS			
Cash and investments	\$ 569,009	\$ 2,225,314	\$ 2,794,323
Receivables			
Accounts	19,741	169,857	189,598
Special assessments	200,220	122,001	322,221
Interest	30,534	18,605	49,139
Inventories	-	10,000	10,000
Prepaid items	-	5,014	5,014
Total current assets	819,504	2,550,791	3,370,295
NONCURRENT ASSETS			
Restricted assets	1,875,469	748,140	2,623,609
Capital assets, net			
Utility systems	5,244,839	10,609,246	15,854,085
Machinery	-	239,926	239,926
Construction in progress	22,991	505,408	528,399
Less accumulated depreciation	(624,773)	(2,587,737)	(3,212,510)
Net capital assets	4,643,057	8,766,843	13,409,900
Access rights, net of accumulated amortization	64,022	-	64,022
Bond issuance costs, net of accumulated amortization	26,186	-	26,186
Special assessments receivable	1,801,979	1,098,011	2,899,990
Advances to other funds	-	348,203	348,203
Total noncurrent assets	8,410,713	10,961,197	19,371,910
Total assets	9,230,217	13,511,988	22,742,205
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	-	39,890	39,890
Accrued liabilities	60,783	58,170	118,953
Due to other funds	12,675	59,405	72,080
Due to other governmental units	-	89,983	89,983
Bonds, capital leases and contracts, due within one year	134,500	133,000	267,500
Total current liabilities	207,958	380,448	588,406
NONCURRENT LIABILITIES			
Advances from other funds	348,203	-	348,203
Bonds, capital leases and contracts, less amounts due within one year	3,483,761	2,732,525	6,216,286
Total noncurrent liabilities	3,831,964	2,732,525	6,564,489
Total liabilities	4,039,922	3,112,973	7,152,895
NET ASSETS			
Invested in capital assets, net of related debt	1,088,818	5,901,318	6,990,136
Restricted for debt service	1,875,469	748,140	2,623,609
Unrestricted	2,226,008	3,749,557	5,975,565
Total net assets	\$ 5,190,295	\$ 10,399,015	\$ 15,589,310

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 Proprietary Funds
 For the year ended March 31, 2005

	Enterprise Funds		
	Sewer	Water	Total
REVENUES			
Charges for services	\$ 134,256	\$ 1,004,487	\$ 1,138,743
OPERATING EXPENSES			
Administration	14,278	63,642	77,920
Operations	94,525	986,026	1,080,551
Depreciation and amortization	125,413	227,236	352,649
Total operating expenses	234,216	1,276,904	1,511,120
Operating loss	(99,960)	(272,417)	(372,377)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	180,216	122,312	302,528
Connection fees	1,004,772	726,578	1,731,350
Other	3,240	6,733	9,973
Interest expense	(203,599)	(153,034)	(356,633)
Total nonoperating revenues (expenses)	984,629	702,589	1,687,218
Income before contributions and transfers	884,669	430,172	1,314,841
Capital contributions	-	105,000	105,000
Transfers out	(50,000)	-	(50,000)
Change in net assets	834,669	535,172	1,369,841
Total net assets at April 1, 2004	4,355,626	9,863,843	14,219,469
Total net assets at March 31, 2005	\$ 5,190,295	\$ 10,399,015	\$ 15,589,310

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
STATEMENT OF CASH FLOWS
 Proprietary Funds
 For the year ended March 31, 2005

	Enterprise Funds		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 124,688	\$ 1,071,074	\$ 1,195,762
Receipts from interfund services provided	-	16,418	16,418
Payments to suppliers	(86,477)	(896,791)	(983,268)
Payments to employees	(14,278)	(63,642)	(77,920)
Payments for interfund services used	(6,500)	(58,500)	(65,000)
Net cash provided by operating activities	17,433	68,559	85,992
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	(53,686)	49,367	(4,319)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	-	105,000	105,000
Connection fees	842,484	813,485	1,655,969
Purchases of capital assets	(100,743)	(936,412)	(1,037,155)
Principal and interest paid on capital debt	(334,713)	(284,357)	(619,070)
Other receipts	3,240	6,733	9,973
Net cash provided by (used for) capital and related financing activities	410,268	(295,551)	114,717
CASH FLOW FROM INVESTING ACTIVITIES			
Investment earnings	180,216	122,312	302,528
Net increase (decrease) in cash and investments	554,231	(55,313)	498,918
Cash and investments at April 1, 2004	1,890,247	3,028,767	4,919,014
Cash and investments at March 31, 2005	\$ 2,444,478	\$ 2,973,454	\$ 5,417,932
Reconciliation of cash and investments to the balance sheet			
Cash and investments	\$ 569,009	\$ 2,225,314	\$ 2,794,323
Restricted assets	1,875,469	748,140	2,623,609
	\$ 2,444,478	\$ 2,973,454	\$ 5,417,932
Reconciliation of operating income to net cash provided by operating activities			
Operating loss	\$ (99,960)	\$ (272,417)	\$ (372,377)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization expense	125,413	227,236	352,649
Change in assets and liabilities			
Receivables, net	(9,568)	70,076	60,508
Internal balances	1,548	12,929	14,477
Inventories	-	(5,014)	(5,014)
Accounts and other payables	-	35,749	35,749
Net cash provided by operating activities	\$ 17,433	\$ 68,559	\$ 85,992
Noncash financing activities			
Assumption of additional County debt	\$ 13,403	\$ -	\$ 13,403

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds
March 31, 2005

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ <u>255,426</u>
LIABILITIES	
Accounts payable	10,492
Due to other governmental units	<u>244,934</u>
Total liabilities	\$ <u>255,426</u>

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Charter Township of Fruitport (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Effective April 1, 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

The beginning net assets restated for the effects of implementation of GASB Statement No. 34 are as follows:

Fund balances at April 1, 2004—governmental funds	\$ 1,812,296
Special assessments receivable	5,448
Capital assets, net	937,076
Accrued liabilities	(15,900)
Bonds and contracts payable	(591,837)
Compensated absences	<u>(141,418)</u>
Restated net assets at April 1, 2004	<u>\$ 2,005,665</u>

1. Reporting Entity

The Charter Township of Fruitport (Township) is a municipal corporation governed by an elected seven-member Board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Charter Township of Fruitport
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Charter Township of Fruitport
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

The Township reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township reports the following two major proprietary funds:

The Water Fund accounts for user charges and for operating expenses and debt service of the Township's water system.

The Sewer Fund accounts for user charges and for operating expenses and debt service of the Township's sewer system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Township's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Charter Township of Fruitport
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity

a. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

All investments are stated at fair value.

b. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 state taxable value for real/personal property of the Township totaled approximately \$347,600,000. The ad valorem taxes levied consisted of 1.0149, 1.4738 and .5000 mills for the Township's general operating, public safety and street lighting purposes. General operating and public safety amounts are shown in the General Fund and street lighting amounts are shown in the Street Light Fund.

Charter Township of Fruitport
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

c. Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

d. Restricted Assets

Certain cash and investments of the Water and Sewer Funds are held at Muskegon County where their use is restricted for bond and interest redemption and for future system expansion.

e. Capital Assets

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated or amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Utility systems	50
Land improvements	20-30
Furniture and equipment	5-20
Vehicles	3-15
Access rights	20

f. Compensated Absences

Township employees are granted vacation and sick leave in varying amounts based on length of service. Employees must use earned vacation time during the anniversary year following the one in which it was earned. Upon termination, employees are paid for unused vacation at their current rates. Unused sick leave is accumulated up to 250 days for employees. Sick leave is paid to employees upon retirement under limits that vary by employee group. All vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Charter Township of Fruitport
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

g. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

h. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

i. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to March 1, the Township Board proposes an operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level for the General Fund and the fund level for all other governmental funds. The Township Board made several supplemental budgetary appropriations throughout the year.

Charter Township of Fruitport
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
 March 31, 2005

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

2. Excess of Expenditures Over Appropriations

For the year ended March 31, 2005, actual expenditures exceeded appropriations for the principal expense in the General Fund by \$5,230. This overexpenditure was funded with available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

1. Deposits

The Township's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions' trust department or agent in the entity's name. Category 3 includes deposits which are uncollateralized.

As of March 31, 2005, the Township's carrying amount of deposits was \$6,734,560, and the bank balance was \$6,440,497. Of the bank balance, \$200,000 was covered by federal depository insurance. The remaining \$6,240,497 was uninsured and uncollateralized.

2. Investments

As of March 31, 2005, the Township's investments represented holdings in certificates of deposit, corporate bonds, U.S. Government agencies, investment pools and mutual funds. During the year ended March 31, 2005, the Township's investments were only in these types of investments.

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered, or the securities held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. The state-approved investment pools are not categorized as they are synonymous with mutual funds. As of March 31, 2005, the Township's fair value in those pools and mutual funds were \$15,618.

	Category			Fair value amount
	<u>1</u>	<u>2</u>	<u>3</u>	
Corporate bonds	\$ -	\$ 197,069	\$ -	\$ 197,069
U.S. Government agencies	244,703	-	-	244,703
Certificates of deposit	<u>-</u>	<u>1,418</u>	<u>-</u>	<u>1,418</u>
	<u>\$ 244,703</u>	<u>\$ 198,487</u>	<u>\$ -</u>	<u>\$ 443,190</u>

Charter Township of Fruitport
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
 March 31, 2005

NOTE C—DEPOSITS AND INVESTMENTS—Continued

2. Investments—Continued

Below is a summary of the combined balance sheet deposits and investments:

	<u>Governmental activities</u>	<u>Business- type activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and investments	\$ 1,520,010	\$ 2,794,323	\$ 255,426	\$ 4,569,759
Restricted asset	<u>-</u>	<u>2,623,609</u>	<u>-</u>	<u>2,623,609</u>
Total deposits and investments	<u>\$ 1,520,010</u>	<u>\$ 5,417,932</u>	<u>\$ 255,426</u>	<u>\$ 7,193,368</u>

3. Restricted Assets

Restrictions are placed on assets by bond ordinance and Township Board action. At March 31, 2005, restricted cash and investments in the Township are restricted as follows:

Business-type activities

Sewer Fund	
Debt	\$ 1,875,469
Water Fund	
Debt and capital improvements	<u>748,140</u>
	<u>\$ 2,623,609</u>

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2005</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 40,885	\$ -	\$ -	\$ 40,885
Capital assets, being depreciated:				
Land improvements	-	15,173	-	15,173
Buildings and improvements	671,300	7,600	-	678,900
Furniture and equipment	72,247	44,115	-	116,362
Vehicles	<u>932,413</u>	<u>8,200</u>	<u>-</u>	<u>940,613</u>
Total capital assets, being depreciated	1,675,960	75,088	-	1,751,048
Less accumulated depreciation for:				
Land improvements	-	506	-	506
Buildings and improvements	301,113	13,503	-	314,616
Furniture and equipment	13,180	5,781	-	18,961
Vehicles	<u>465,476</u>	<u>63,595</u>	<u>-</u>	<u>529,071</u>
Total accumulated depreciation	<u>779,769</u>	<u>83,385</u>	<u>-</u>	<u>863,154</u>
Total capital assets, being depreciated, net	<u>896,191</u>	<u>(8,297)</u>	<u>-</u>	<u>887,894</u>
Capital assets, net	<u>\$ 937,076</u>	<u>\$ (8,297)</u>	<u>\$ -</u>	<u>\$ 928,779</u>

Charter Township of Fruitport
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE D—CAPITAL ASSETS—Continued

	Balance April 1, 2004	Additions	Deductions	Balance March 31, 2005
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 528,399	\$ -	\$ 528,399
Capital assets, being depreciated:				
Utility systems	15,366,530	487,555	-	15,854,085
Machinery	<u>262,873</u>	<u>21,200</u>	<u>44,147</u>	<u>239,926</u>
Total capital assets, being depreciated	15,629,403	508,755	44,147	16,094,011
Less accumulated depreciation:				
Utility systems	2,715,653	313,499	-	3,029,152
Machinery	<u>209,507</u>	<u>17,998</u>	<u>44,147</u>	<u>183,358</u>
Total accumulated depreciation	<u>2,925,160</u>	<u>331,497</u>	<u>44,147</u>	<u>3,212,510</u>
Total capital assets, being depreciated, net	<u>12,704,243</u>	<u>177,258</u>	<u>-</u>	<u>12,881,501</u>
Capital assets, net	<u>\$12,704,243</u>	<u>\$ 705,657</u>	<u>\$ -</u>	<u>\$13,409,900</u>

Government activities:

Depreciation expense was charged to functions as follows:

Public safety	\$ 57,181
Public works	21,504
Culture and recreation	<u>4,700</u>
	<u>\$ 83,385</u>

Business-type activities:

Depreciation expense was charged to functions as follows:

Water	\$ 227,236
Sewer	<u>104,261</u>
	<u>\$ 331,497</u>

Construction commitments:

At March 31, 2005, the Township had entered into various agreements for construction projects. Below is a summary of those agreements:

<u>Fund</u>	<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining</u>
Water	Water system expansion	\$ 465,517	\$ 342,358
Sewer	Sewer system expansion	<u>22,991</u>	<u>676,409</u>
		<u>\$ 488,508</u>	<u>\$ 1,018,767</u>

Charter Township of Fruitport
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE E—ACCESS RIGHTS

	Balance April 1, 2004	<u>Additions</u>	<u>Deductions</u>	Balance March 31, 2005
Sewer Fund				
Access rights (20 years)	\$ 203,249	\$ 13,403	\$ -	\$ 216,652
Less accumulated amortization	<u>(133,223)</u>	<u>(19,407)</u>	<u>-</u>	<u>(152,630)</u>
Access rights, net of accumulated amortization	\$ <u>70,026</u>	\$ <u>(6,004)</u>	\$ <u>-</u>	\$ <u>64,022</u>

NOTE F—DEFERRED REVENUE

	Balance April 1, 2004	<u>Additions</u>	<u>Deductions</u>	Balance March 31, 2005
Sewer Fund				
Issuance costs (20 years)	\$ 34,914	\$ -	\$ -	\$ 34,914
Less accumulated amortization	<u>(6,982)</u>	<u>(1,746)</u>	<u>-</u>	<u>(8,728)</u>
Total bond issuance cost, net of accumulated amortization	\$ <u>27,932</u>	\$ <u>(1,746)</u>	\$ <u>-</u>	\$ <u>26,186</u>

NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances, caused by normal operation, is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 1,822
General Fund	Water Fund	59,405
General Fund	Sewer Fund	<u>12,675</u>
		\$ <u>73,902</u>

The Water Fund has advanced \$348,203 to the Sewer Fund to fund capital improvements.

The General Fund transferred \$117,977 to the Recreation Fund to subsidize operations. The Sewer Fund transferred \$50,000 to the General Fund to return funds from prior debt subsidies.

Charter Township of Fruitport
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
 March 31, 2005

NOTE H—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2005.

	Balance April 1, 2004	<u>Additions</u>	<u>Deductions</u>	Balance March 31, 2005	Due within one year
Governmental activities:					
General obligation bonds	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ -
Installment purchase agreements	340,334	-	58,694	281,640	61,000
Land contract agreements	246,503	-	9,167	237,336	10,000
Compensated absences	<u>141,418</u>	<u>8,739</u>	<u>-</u>	<u>150,157</u>	<u>30,000</u>
Governmental activity long-term liabilities	<u>\$ 733,255</u>	<u>\$ 8,739</u>	<u>\$ 72,861</u>	<u>\$ 669,133</u>	<u>\$ 101,000</u>
Business-type activities:					
General obligation bonds	\$ 5,350,227	\$ 13,403	\$ 149,844	\$ 5,213,786	\$ 172,500
Special assessment debt with Township commitment	<u>1,370,000</u>	<u>-</u>	<u>100,000</u>	<u>1,270,000</u>	<u>95,000</u>
Business-type activity long-term liabilities	<u>\$ 6,720,227</u>	<u>\$ 13,403</u>	<u>\$ 249,844</u>	<u>\$ 6,483,786</u>	<u>\$ 267,500</u>

Balance
March 31, 2005

Governmental activities:

Installment purchase agreements:

\$175,000 Fire Station Contract due in semi-annual
 installments of \$5,833 through December 2008;
 interest at 5.7% \$ 46,667

\$386,961 Fire Truck contract due in annual installments
 of \$27,589 to \$49,191 through April 2011; interest at
 4.6% 234,973

Land contract agreements:

\$76,000 Land Contract due in quarterly installments
 of \$1,850 to \$2,928 including interest at 7.50%
 through October 2018 63,536

\$206,800 Land Contract due in quarterly installments
 of \$5,000 to \$8,854 including interest at 7.50%
 through January 2019 173,800

Compensated absences 518,976
150,157
\$ 669,133

Charter Township of Fruitport
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE H—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

	Balance <u>March 31, 2005</u>
Business-type activities:	
General obligation bonds:	
\$68,362 Muskegon County Wastewater Management System - Number One Refunding Bond Issue of 2002 due in annual installments of \$1,956 to \$20,831 through July 2008; interest at 2.25% to 5.00%	\$ 77,266
\$134,887 Muskegon County Wastewater Management System - Number One Refunding Bond Issue of 1996; final payment of \$19,523 due July 2005; interest at 5.7%	19,523
\$2,680,000 Muskegon County Wastewater Management System - Number One 1999 Series due in annual installments of \$50,000 to \$250,000 through May 2020; interest at 4.70% to 6.50%	2,580,000
Less issuance discount	(21,232)
\$2,925,000 - Muskegon County Water Supply System - Number One Bonds, Series II due in annual installments of \$101,250 to \$247,500 through May 2020; interest at 4.75% to 6.75%	2,587,500
Less issuance discount	(29,271)
Special assessment debt with Township commitment:	
\$750,000 1994 Special Assessment Bonds due in annual installments of \$35,000 to \$70,000 through October 2013; interest at 7.70% to 8.0%	480,000
\$330,000 1995 Special Assessment Bonds due in annual installments of \$15,000 to \$25,000 through October 2009; interest at 5.25% to 5.5%	110,000
\$585,640 2000 Special Assessment Sewer Bonds due in annual installments of \$28,395 to \$31,944 through January 2021; interest at 4.75% to 5.0%	482,704
\$239,360 2000 Special Assessment Water Bonds due in annual installments of \$11,605 to \$13,059 through January 2021; interest at 4.75% to 5.0%	<u>197,296</u>
	<u>\$ 6,483,786</u>

The general obligation bonds are backed by the full faith and credit of the Township.

Charter Township of Fruitport
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
 March 31, 2005

NOTE H—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

The \$2,925,000 Muskegon County Water Supply System Number One Series II bond issue is a joint debt agreement entered into by the Township and the City of Norton Shores. Under the agreement, the County issued debt and constructed a water supply system for the benefit of both governmental units. The County owns and maintains the system and upon full payment by either local unit of its allocated portion of the debt, the County may convey full ownership of the respective portions of the system to the local unit. Each local unit's share of the debt is based on user charges and the state's equalized valuation on real property.

Effective January 1, 2005, the wastewater service agreement between the County of Muskegon and thirteen local units, including the Charter Township of Fruitport, was amended to provide financial relief to the County's largest industrial user. Under terms of the amendment, the allocation of debt service charged to each local unit user will increase. The Sewer Fund's total debt obligation and annual payments on that obligation will increase by about 20 percent. The financial impact on the Township in 2005 was \$16,000. These bonds will be fully retired in 2008. Additional County wastewater debt is paid by local unit users through user charges based on metered sewage flows. Payments on these issues increased for all local units, including the Township, by about 43 percent. The financial impact on the Township in 2005 was \$4,000.

The Township was in compliance in all material respects with all the revenue bond ordinances at March 31, 2005.

Annual debt service requirements to maturity for debt outstanding as of March 31, 2005 follows:

Year ending March 31, 2005	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2006	\$ 71,000	\$ 30,830	\$ 267,500	\$ 347,337
2007	49,613	27,140	337,093	328,742
2008	51,981	24,386	336,216	307,348
2009	54,190	21,511	358,480	286,038
2010	44,866	18,671	333,750	265,467
2011-2014	151,076	58,163	2,048,750	997,712
2016-2019	96,250	16,473	2,310,000	437,353
2020	-	-	542,500	14,533
Total	<u>\$ 518,976</u>	<u>\$ 197,174</u>	<u>\$ 6,534,289</u>	<u>\$ 2,984,530</u>

Charter Township of Fruitport
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE I—OTHER INFORMATION

1. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability, property and insurance coverage as a member of the Michigan Township Participating Plan (MTPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MTPP for its insurance coverage. The MTPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

2. Related Party Transactions

In prior years, the government purchased two pieces of land using land contracts. The seller of the land is a close relative to a board member. The balance of the two land contracts at March 31, 2005 is \$237,336. During the year ended March 31, 2005, the Township paid principal and interest of \$27,401 on the land contracts.

3. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

Charter Township of Fruitport
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE J—RETIREMENT PLAN

Defined Contribution Pension Plan

The Township maintains a defined contribution retirement plan administered by Manulife Financial USA that covers substantially all full-time employees. The Township contributes 10 percent of each eligible employee's salary to the plan. Township employees contribute nothing to the plan. The Township's contribution for the year ended March 31, 2005 was \$123,109.

NOTE K—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 37 percent of General Fund revenues.

REQUIRED SUPPLEMENTAL INFORMATION

Charter Township of Fruitport
BUDGETARY COMPARISON SCHEDULE
 General Fund
 For the year ended March 31, 2005

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 987,239	\$ 987,239	\$ 981,222	\$ (6,017)
Licenses and permits	91,000	91,000	103,340	12,340
Intergovernmental revenues				
Federal	-	53,392	53,392	-
State	820,000	820,050	835,890	15,840
Charges for services	151,093	151,093	152,383	1,290
Fines and forfeitures	150	150	420	270
Investment earnings	8,000	8,000	28,643	20,643
Other	75,300	75,300	83,709	8,409
Total revenues	2,132,782	2,186,224	2,238,999	52,775
EXPENDITURES				
Current				
General government				
Township board	86,925	88,925	75,619	13,306
Supervisor	75,036	79,758	80,538	(780)
Elections	23,210	23,210	19,900	3,310
Assessing	131,207	131,207	119,062	12,145
Clerk	58,040	58,038	54,686	3,352
Treasurer	118,013	118,013	106,542	11,471
General office	70,800	70,800	69,492	1,308
Board of review	2,615	2,615	1,073	1,542
Building and grounds	41,400	41,313	27,000	14,313
Cemetery	72,760	72,760	68,830	3,930
Public safety				
Police	507,905	538,522	465,954	72,568
Fire	700,585	762,103	751,040	11,063
Crossing guards	7,900	7,900	5,684	2,216
Public works				
Roads	266,700	266,700	41,848	224,852
Bike path	5,500	7,500	6,975	525
Community and economic development				
Planning	25,380	25,380	13,658	11,722
Zoning	20,600	20,600	8,720	11,880
Culture and recreation				
Racetrack	60,860	60,860	24,280	36,580
Library	17,771	17,771	17,267	504
Other governmental functions	60,000	60,000	59,699	301
Debt service				
Principal	67,860	67,631	72,861	(5,230)
Interest and fees	34,363	34,681	34,366	315
Capital outlay	100,000	83,029	42,404	40,625
Total expenditures	2,555,430	2,639,316	2,167,498	471,818
Excess of revenues over (under) expenditures	(422,648)	(453,092)	71,501	524,593
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
Transfers out	(120,000)	(120,000)	(117,977)	2,023
Total other financing sources (uses)	(70,000)	(70,000)	(67,977)	2,023
Net change in fund balance	\$ (492,648)	\$ (523,092)	3,524	\$ 526,616
Fund balance at April 1, 2004			1,618,205	
Fund balance at March 31, 2005			\$ 1,621,729	

OTHER SUPPLEMENTAL INFORMATION

Charter Township of Fruitport
BALANCE SHEET
 Other Governmental Funds
 March 31, 2005

	Total other governmental funds	Special Revenue Funds	
		Recreation	Street Light
ASSETS			
Cash and investments	\$ 215,260	\$ -	\$ 215,260
Property taxes receivable	12,856	-	12,856
Prepaid items	1,822	1,822	-
Total assets	<u>\$ 229,938</u>	<u>\$ 1,822</u>	<u>\$ 228,116</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	\$ 1,822	\$ 1,822	\$ -
Fund balances			
Unreserved	228,116	-	228,116
Total liabilities and fund balances	<u>\$ 229,938</u>	<u>\$ 1,822</u>	<u>\$ 228,116</u>

Charter Township of Fruitport
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Governmental Funds
For the year ended March 31, 2005

	Total other governmental funds	Special Revenue Funds	
		Recreation	Street Light
REVENUES			
Property taxes	\$ 150,080	\$ -	\$ 150,080
Investment earnings	1,453	-	1,453
Other	10,125	10,125	-
Total revenues	161,658	10,125	151,533
EXPENDITURES			
Current			
Public safety	117,477	-	117,477
Culture and recreation	95,449	95,449	-
Capital outlay	32,684	32,684	-
Total expenditures	245,610	128,133	117,477
Excess of revenues over (under) expenditures	(83,952)	(118,008)	34,056
OTHER FINANCING SOURCES			
Transfers in	117,977	117,977	-
Net change in fund balances	34,025	(31)	34,056
Fund balances at April 1, 2004	194,091	31	194,060
Fund balances at March 31, 2005	\$ 228,116	\$ -	\$ 228,116

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

August 16, 2005

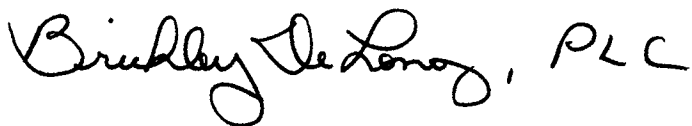
Township Board
Charter Township of Fruitport
Fruitport, Michigan

In planning and performing our audit of the financial statements of the Charter Township of Fruitport for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Charter Township of Fruitport's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information of the Township Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



REPORTABLE CONDITIONS

General

Recommendation 1: All journal entries should have documented approval by an appropriate Township official.

During our testing, we noted that documented proper approval of journal entries did not exist for all journal entries.

The maintenance of files with documented approval of all journal entries would reduce the possibility of an inaccurate journal entry being made.

Payroll

Recommendation 2: Time sheets for all Township employees should be properly approved by the appropriate officials.

During our testing, we noted that certain officials are not documenting approval of the time sheets submitted to the payroll processing company.

The documented approval of all time summaries would ensure appropriate supporting documentation for hours paid.

Accounts Payable

Recommendation 3: Cash disbursements account distribution should be reviewed for reasonableness.

During our testing, we noted certain cash disbursements that were recorded in incorrect general ledger accounts.

A review of account distribution by appropriate personnel would reduce the risk of a cash disbursement being recorded in an incorrect general ledger account.

Recommendation 4: Vendor invoices should be cancelled upon payment preferably with the use of "paid" block stamp.

During our testing, we noted that vendor invoices are not cancelled upon payment.

The use of a "paid" block stamp would reduce the possibility of duplicate payment of vendor invoices and, if provided on the block, document other essential items such as approval initials, date and general ledger account distribution.

REPORTABLE CONDITIONS—CONTINUED

Tax Collection Fund

Recommendation 5: General Fund property tax receivables and revenue general ledger accounts should be reviewed and reconciled to supporting documents on an interim basis.

During our audit, we noted that property tax revenue account balances were not reconciled to detailed cash receipts on a timely basis.

The interim review and reconciliation of property tax receivable and revenue general ledger accounts would ensure that errors in recording related cash receipts and other transactions would be identified and corrected on a timely basis.

Recommendation 6: The Current Tax Collection Fund should distribute all monies owed other governmental units on a timely basis.

During our audit, we noted that the Current Tax Collection Fund had a significant bank balance outstanding at year end. The General Property Tax Act of the State of Michigan requires that the Township distribute property tax collections to other governmental units for which it collects within 10 business days of the first and fifteenth day of each month. In addition, the Township is required to make all distributions by April 1 of each year.

The timely distribution of funds collected by the Current Tax Collection Fund would ensure compliance with the General Property Tax Act of the State of Michigan.